



ED SLOTT'S IRA ADVISOR

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TAX & ESTATE PLANNING FOR YOUR RETIREMENT SAVINGS

Special Issue

IRS Creates a New Type of Retirement Income Annuity

Final Regulations for Qualifying Longevity Annuity Contracts

Released by IRS on July 1, 2014
Effective July 2, 2014

On July 1, 2014 the Treasury Department released the long-awaited final regulations for qualifying longevity annuity contracts (QLACs). QLACs will reduce required minimum distributions (RMDs) after age 70½ and provide guaranteed income for life. The value of a QLAC will be excluded from the retirement plan balance used to calculate a client's RMD.

Prior to the establishment of QLACs, there were significant challenges to purchasing longevity annuities with IRA money. The rules required that unless an annuity held

within an IRA had been annuitized, its fair market value needed to be included in the prior year-end balance when calculating a client's IRA RMD. This left clients that had non-annuitized IRA annuities with an inconvenient choice after reaching age 70½. At that time, they needed to either:

- 1) Begin taking distributions from their non-annuitized IRA annuities – reducing the annuity's potential future benefit, or
- 2) Annuitize their annuities – producing a lower income stream than if the annuities were annuitized at a more advanced age, or
- 3) “Make-up” the non-annuitized annuity's RMD from other IRA assets – drawing down those assets at an accelerated rate.

WHAT'S INSIDE?

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- When Must Distributions Begin?
- 25% Limit on QLAC Purchases
- \$125,000 Overall QLAC Limit
- Correcting Excess QLAC Premium Payments
- Prior Year-end Balance for RMDs May Need to be Adjusted
- Return of Premium Death Benefit Option
- Life Annuity Death Benefit Options
- QLAC's Must Be Fixed Annuities...At Least for Now
- Be Sure Before Buying!
- Roth IRA Considerations
- Employer Plan Availability
- Are QLACs Available Now?

- Pages 1-8

PLAN NOW FOR 2015

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INSTANT IRA SUCCESS

FEBRUARY 20-21, 2015

SEE PAGE 8 FOR MORE DETAILS

